"Gulshan Polyols Limited Q2 FY23 Earnings Conference Call"

November 09, 2022

MANAGEMENT: **MRS. ADITI PASARI – JOINT MD, GULSHAN POLYOLS LIMITED**
MRS. ARUSHI JAIN – JOINT MD, GULSHAN POLYOLS LIMITED
MR. RAJIV GUPTA – CFO, GULSHAN POLYOLS LIMITED

MODERATOR: **MR. NITIN AWASTHI – INCRED EQUITIES**

Moderator: Ladies and Gentlemen, Good day and welcome to Gulshan Polyols Limited Q2 FY23 Earnings Conference Call hosted by InCred Equities.

As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Awasthi from InCred Equities. Thank you and over to you, Sir.

Nitin Awasthi: Thank you, Seema. On behalf of InCred Equities, we welcome everyone to the Q2 FY23 Earnings Call of Gulshan Polyols. At this point, we would like to thank the management of Gulshan Polyols for giving us the opportunity to host them. From the management today we have Mrs. Aditi Pasari – Joint MD, Mrs. Arushi Jain – Joint MD, and Mr. Rajiv Gupta – the CFO.

Before I hand it over to the management to begin the conference I would like to read out a cautionary statement. The conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantees of future performance and involve risk and uncertainties that are difficult to predict. Actual results may differ from such expectations, projections whether expressed or implied. Participants are requested to express caution while referring to such statements and remarks.

With that, I will hand it over to the management. Over to you, sir and ma'am.

Aditi Pasari: Good evening everyone. On behalf of the management of Gulshan Polyols Limited myself Aditi Pasari along with Arushi Jain – MD and CFO – Rajiv Gupta.

I would like to thank you all for attending our maiden earnings call for H1 and Q2 FY23. We would like to begin with a brief introduction and journey about Gulshan Polyols Limited. The group was established in 1981 and Gulshan has completed more than 40 years in the industry. We are India's leading manufacturers of specialty-based chemicals as well as manufacturers of ethanol and biofuel with a global presence in 35 countries across various continents. We started our journey as Gulshan Sugar and Chemicals with the primary business of manufacturing calcium carbonate and gradually expanded into a multi-product manufacturing company engaged in the manufacturing of ethanol.

Specialty Chemicals like Sorbitol, Starch, Starch derivatives, and various grades of calcium carbonate and on-site PCC plants helped us cross the milestone of 1,000 crore revenue in FY22 and today we are looking at doubling our revenue by FY24 driven by a big expansion program.

Talking about the financial highlights in Q2 of FY23 our income from operation stood at ₹277.38 crores and it remained stable. Due to peak utilization of our capacity owing to robust demand for all our products. The input cost has increased by 13.2% as compared to the same period YoY considering an unprecedented rise in basic raw materials cost and power costs. The EBITDA for the quarter was at ₹20 crores that is about 7.3%, net profit for the quarter for that ₹9 crores and the PAT margin were about 3.3%. In H1 of FY23 our revenue stands at ₹548 crores a marginal increase of 6% over the year. EBITDA stand at ₹42 crores at 7.7%, the net profit at 19.2 crores at about 3.5%.

Thank you everyone and now I will hand over the call to Mr. Nitin.

Nitin Awasthi: Before we open the call up for Q&A for the benefit of the participants could you also highlights the capacities of your current segments and how are these going to augment in the future, what are the expansion plans and because there are major expansion plans which should be known because you are looking at substantial increase in revenue over the next two, three years, so what are those plans and with timelines around different segments?

Aditi Pasari: Sure Nitin, our business portfolio broadly spans across three business segments. First is the grain processing segment, second is the bio fuel or distillery segment and third is the mineral processing segment. I will start with the grain processing segment. This segment mainly comprises of products such as sorbitol, maize, starch, liquid glucose, fructose syrup and other starch derivatives like Malto Dextrine, Dextrose Monohydrate and agro based animal feed. So, currently our capacities are based across two locations one is in Muzaffarnagar Uttar Pradesh and others being in Gujarat in Bharuch.

In Gujarat we are currently manufacturing sorbitol which has a capacity of 72,000 metric tons per annum and at Muzaffarnagar we are producing maize starch at a capacity of 70,000 metric ton per annum. We are also producing fructose syrup which has a capacity of about 36,000 metric ton per annum. So, all put together our combined capacities and the grain processing segment are about 150,000 metric ton per annum which we are looking at expanding by about 20% in the coming years. We see all our products or our facilities are currently running at 100% capacity utilization therefore it is just organic for us to increase our capacity as there is a demand for all the products in the market domestic as well as exports.

Coming to the next segment, I would also like to briefly talk about the customer base. We have a very strong customer base in this segment. For sorbitol we supply to mostly FMCG’s it goes in the oral care industry, Lever, Dabur, Asian Paint, Patanjali they all are extreme customers. We also export to more than 35 countries. Regarding starch, it is mainly used with semi craft paper industry and with a whole robust demand in the e-commerce segment and rise in the corrugated demand for packing and corrugated boxes. It is just organic for us to experience the global demand in starch paper as well because it goes in the semi craft paper industry. Currently our plan is that 100% capacity utilization and we are able to sell our entire products with the 100 kilometers of our facility being in the paper belt of Muzaffarnagar which is surrounded by paper mill. Fructose Syrup is also a sweetener it is currently being used in the beverage segment and we are one of the largest in the segment in the country.

Coming to the next segment which is the ethanol and distillery segment:

Currently we have a 60 KLPD grain-based ethanol plant as well as distillery in Madhya Pradesh Chhindwara. Currently our distillery is running at a 110% capacity utilization this is set up in 2020 and by the expansion looking at the EBPP program of the government and having faith in the whole blending program of petroleum with ethanol. We actually are looking at a capacity enhancement from 60KLPD to 500 KLPD and this plant should be operational by Quarter 4 of the current financial year. Subsequently we are also setting up another plant for grain-based ethanol in Assam with a capacity of 250 KLPD. This is going to be in Assam in Goalpara. This should be ready by FY25.

Our third major segment is mineral processing segment, in this segment we have various grades of calcium carbonate and onsite PPC plant. This is a small segment, but with good contribution. So, various grades of calcium carbonate like precipitated calcium carbonate, brown calcium carbonate this mainly goes in the paper industry and also in the PBC industry. So, that is majorly about the business segment.

Nitin Awasthi: Okay, Thank you Ma'am. Got it. Seema we can go ahead with Question and answer.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question may press *1 in their touchphone telephone, if you wish to remove yourself from the question queue please press *2. Participants are requested to handsets while asking a question. Ladies and gentlemen, we will wait for a moment till the question queue assembles. We take the first question from the line of Rahul Singhal. Please go ahead.

Rahul Singhal: Can you just report what is the revenue contribution of mineral segment and the grain segment and for this Quarter 2?

Rajiv Gupta: Can I answer the question now? The question was relating to segment wise revenue for the quarter so the ethanol segment has given us a revenue of 45.48 crores, grain processing business has given us a revenue of 207 crores and then business processing segment has given us a revenue of 24 crores total comes to 276 crore.

Rahul Singhal: If it is possible can you just disclose the EBITDA margin from grain and mineral based and how they are affecting and how the margins are affected specifically the mineral segment how the margins are affected by the cost of power and coal which has gone up?

Aditi Pasari: I would like to answer that. So, the coal prices has gone by 73% YoY and the raw material prices have gone by 40% YoY both has led to the decline in the EBITDA margin in the grain processing segment as well as a distillery segment because in the grain processing our main raw material is grain which is maize and rice and because of the rise in raw material prices we have seen a major decline in the EBITDA margins in both the segments because both the segments major raw material is grain and the second other cost input cost is coal because all the plants we have a Cogen power plant which are run on coal.

Rahul Singhal: Thank you very much.

Moderator: Thank you very much. We take the next question from the line of Munjal Shah Individual Investor. Please go ahead.

Munjal Shah: Good afternoon to the management. So, I have couple of questions the first is can you let us know what will be the date of commercialization for the grain-based capacity expansion?

Arushi Jain: Good afternoon, this is Arushi Jain. So, you are asking about capacity expansion for ethanol?

Munjal Shah: Not for ethanol for the grain based so basically for the starch and fructose syrup. So, basically we are expanding by 20%?

Arushi Jain: So, we can look at it by early next year.

Munjal Shah: So, can we say Q1 FY24?

Arushi Jain: Yes.

Munjal Shah: Ma'am you have been mentioning that we will be focusing on higher margin products with this capacity expansion in place, so which products exactly we are talking about?

Aditi Pasari: So, we are looking at increasing capacity in sorbitol, starch as well as fructose syrup, all these products are higher margin products and we also plan to introduce more starch derivatives like Dextrose Monohydrate, Malto Dextrine and yes hopefully they will be contributing to better margins.

Munjal Shah: Okay okay, thank you so the last question. In the press release you have mentioned that from the second half FY23 we might look at EBITDA margins of close to 10% to 12% basis raw material price softening from here on, ma'am once the capacity expansion of grain processing and ethanol is in place, do we see increasing margins from about 10% to 12% or we will sustain around 10% to 12% going forward?

Arushi Jain: I would like to answer that. Our company is a mixed basket of products and sometimes some segment get affected, some pricing gets affected, but a year average over many years we like to state within profitability of fair bit of margin of 10% to 12%.

Munjal Shah: So, we can consider those margins and sustainable margins going forward right?

Arushi Jain: This is just a state this is our target always and we have been able to deliver that and hope to continue so.

Aditi Pasari: I would also like to add that this year has been an extremely challenging year for the grain processing segment because of extraordinary rise in grain prices as well as coal prices. So, also owing to the Russia-Ukraine which has had a huge global impact in both these commodities. So, the last two quarters have been exceptionally challenging for the company, but yes going forward once these situation have combated yes 10% to 12% we see sustainable margins.

Munjal Shah: Thank You mam, Thank You so much for your Answer.

Moderator: Thank you very much. We take the next question from the line of Jinit Babla from Babla Wealth**.** Please go ahead.

Jinit Babla: We have noticed well margins have been impacted so what are the cost headwinds impacted that has impacted the margins?

Aditi Pasari: Sorry, can you come again please?

Jinit Babla: Margins have been impacted right? So what are the cost headwinds impacted the margins?

Aditi Pasari: Yes as we mentioned earlier it is the two major cost which has impacted the margins. One is the raw material cost and our main raw material is grain which is rice as well as maize and there has been exponential rise in the prices of both these grains which have impacted our margins and second major cost for the company and for these divisions is coal as we have own Cogen power plants and coal is the main fuel for our power plant. The rise in the price of coal has also led to reducing and shrinking the margins.

Jinit Babla: I just wanted to ask one more question that when does the ethanol plant will move to the optimum capacity utilization after the CAPEX happens?

Aditi Pasari: So, we are expecting the plant to get commissioned by the fourth quarter of current financial year and FY24 we should be looking at optimum utilization of our CAPEX for the 500 KLPD plant.

Jinit Babla: Okay, I just have one more question can you just highlight how do you just provide the locations of the advantages and challenges you are facing currently as of now?

Arushi Jain: Location and advantage for ethanol is that what you are asking about?

Jinit Babla: Yes.

Arushi Jain: So ethanol plants we have two plants so the capacity is coming up in two locations. One is in Madhya Pradesh and it is like a absolute center of our country. It is a grain rich area and centrally located in the country called convenient distribution of ethanol and there is a raw material procurement pricing advantage there for sure. So, that makes it logistically and locationally very economically sensible, favorable you know it makes it very favorable. Now for North East the second plant is upcoming in Assam. So, there also there is abundance of rice and the raw material abundancy available and ethanol is in extreme shortage. So, we see both as a very favorable advantage in choice of locations.

Jinit Babla: Thank You

Arushi Jain: You're Welcome

Moderator: Thank you. We take the next question from the line of Shruti Iyer from BNP Paribas. Please go ahead. Shruti your line is open now.

Shruti Iyer: Good evening, everyone. I have just been relation with the previous statement I just wanted to understand are our plant entirely dependent on coal for energy or do we have any substitute or alternate for the same and if yes then please highlight what steps are we taking to control cost?

Aditi Pasari: So, of course we use alternate fuels like paddy husk, but you see all the alternate fuels have gone up in prices with the same proportion which coal has gone up. Today, if I am saying coal has gone up 70% the alternate fuel which is paddy husk for our plant has gone by 107%. So, you see all substitutes have gone up in the same proportion or even higher probably. So, it is very difficult for us to actually control this cost until the coal prices start softening only then the substitutes will start softening because the pressure falls on the alternate fuels. We are the only one who are actually suffering because of coal price all the minerals who are using everybody had to shift to alternate options and the price of which went up subsequently or even higher. So, going forward yes we have definitely made some arrangements we are actually creating option where all our power plants are multi fuel boilers. Now, dependency on one fuel has been eliminated. We are able to use multiple fuel whether it is paddy husk or it is Indonesian coal or steam coal or even bamboo actually going forward in Assam. So, we are making our boilers multi fuels, but the fact is that all the fuels the prices have gone up at the same level.

Shruti Iyer : Okay, understood. Just one more question currently what are R&D capabilities and how many products are we developing in a year as of now?

Arushi Jain: So, R&D capabilities we do on improving efficiencies and quality of our current products and we are also studying new products. So, we had full-fledged labs in every plant which determine the quality of raw material and quality of process and quality of finished goods and in terms of development of products, so, these are very serious advance product while our laboratories are very capable to doing all of them. It is a very slow procedure. So, we do it slowly, we study the project and it is not like we are ultimately not FMCG or a fashion company who will produce new products every now and then, but our labs and R&D are very much in place for the products or the line across the industry that we are in**.**

Aditi Pasari: I will add one more thing to that in fact every time we choose a new products we would make it sure it as a import substitute that is our basic philosophy of choosing a new products because we just like to go for products which are not being currently manufactured in the country. We have always choose the product which is being imported into the country. So, that we have an advantage over there logical advantage here whether it is sorbitol back in the year 2000 or adding fructose all products are actually import substitute. There were only being imported into the country and we are one of the first manufacturers. So, this actually becomes a major reason why we choose the product and of course you can imagine the kind of R&D which goes behind it before we are able to come up with the manufacturing facilities in the countries for these products.

Shruti Iyer: Thank you Ma'am for answering my questions. That's all from my end.

Arushi Jain: You're welcome.

Moderator: Thank you. We take the next question from the line of Darshil Zaveri from Crown Capital. Please go ahead.

Darshil Zaveri: Hi, thank you so much for taking my questions. So, I just wanted to know how much total CAPEX are we spending for both the facilities as well as the grains?

Aditi Pasari: So, I will go facility by facility for the 500 KLPD plant in Madhya Pradesh for ethanol, we are looking at a total CAPEX of 300 crores. For our 250 KLPD plant at Assam we are looking at total CAPEX of 200 crores and for the grain processing expansion we are looking at a CAPEX of about 100 crores. So, all put together about 600 crores of CAPEX in total.

Darshil Zaveri: So, I was just asking from the 600 crore CAPEX that we are doing how much have we already spent and how much is pending?

Rajiv Gupta: 250 crore we have already spent and 350 crore is a balance we need to spent the next one year.

Darshil Zaveri: This year we might have some flattish revenues. The growth should kick in by FY24 with the new plant would that be a fair assumption?

Rajiv Gupta: That is a fair assumption.

Darshil Zaveri: Thank you so much.

Moderator: Thank you. We take the next question from the line of Mr. Anil Katara Individual Investor. Please go ahead.

Anil Katara: Couple of questions my first question is you know in this last few quarters your EBIT from the ethanol segment is negative despite more than 100% utilization, so I was surprise that EBIT negative even with the increased prices because the last quarter there was an increase which is given in the form of incentive if it is in the form of incentive also resulting into a negative EBIT and now it is only a marginal increase done by the government so then what sort of EBITDA we are looking at from ethanol segment because the last two quarters have been EBIT negative this is my first question?

Aditi Pasari: As we said in the beginning of this call, the kind of rise in the grain prices and coal prices we have not seen in last two quarters is unprecedented. It is something we have never seen in the history of grain. We have got coal we used to buy at Rs. 6,000 metric ton was we have had bought it Rs. 12,000 a metric ton. So, these are the prices which are unprecedented circumstances and situation and we have in the grain processing industries for the past 22 years. So, we understand that such quarters can arrive, but that does not mean that they will stay forever because coal has to soften, agro has to soften, the volatility has to come in, it can go up, it can go down. We have to work on average margins the last two quarters were very challenging, but that does not mean it is going to remain like this forever. We were already suspecting a softening of grain prices in the third quarter, which has started happening. Also, as you may be aware that the government has banned the export of broken rice which has definitely given us some relief on the grain procurement side also some softening of the coal prices have already started. So, yes we are expecting Quarter 3 to be much better and we are really hopeful that the worst is behind us, but you see it is times like these which test strong players and industry which gets a sustainability of a person and people who can stand straight with these kind of fluctuations. So, in fact it is something good which has happened that the multiple capacities which are coming up in the country for the grain processing ethanol segment will definitely rethink whether they have the capacity and capability to sustain these kind of volatilities.

Anil Katara: You know with this because otherwise ethanol blending program of the government which stocks of 10% coming from grain will not be sustainable because the grain with this sort of prices is not viable my another question is that what is the likelihood with the softening of the prices of the broken rice and the coal prices softening what is the likelihood of per liter EBITDA which we are talking for 23-24, is it going to be Rs. 7, Rs. 8 a liter or it is going to be even lower than that?

Aditi Pasari: So, going ahead we actually as we have been paying about 10% EBITDA margin should be a sustainable margin which is about Rs. 5, Rs. 6 liters of ethanol I would say these are sustainable margins.

Anil Katara: Another question was your 600 crore CAPEX this ethanol would be both the project would be under interest subvention and rest is how much is internal source out of this 600 crore it is going to be funded or how much is the debt and how much is the internal accruals for the 600 crore?

Aditi Pasari: For the 300 crores CAPEX for MP we have taken a term loan of 175 crores form HSBC and for Assam we are trying to take a loan of another 175 crores. We are already in dialogue with SBI and we should be able to close something very soon. So all put together about 350 crore will be from debt. We have also done some fund raising through the QIP mode of about 78 crores in the beginning of this year that will also contribute to our CAPEX plan and rest will be from internal accruals.

Anil Katara: Another point was that your native starch that is the product which has tremendous potential because most of the players that been able to pass on the elevated cost keep to the customers, but probably a native starch you should probably be doing much more expansion because that is the product where the potential is even higher?

Arushi Jain: You are asking about the native starch?

Anil Katara: Yes.

Arushi Jain: You are saying the cost of production will become higher?

Anil Katara: No, I am saying your native starch the capacity can be even more in us because native starch is a product where potential is extremely high and you can easily pass on the increase in cost to the customers which other players have also done?

Arushi Jain : Yes correct. Your observation is bang on.

Aditi Pasari: Yes you are correct and we are actually looking at increasing the capacity for starch because starch does offer you dynamic prices and the prices are not valid for more than 30 days which gives us opportunity to pass on the price increase.

Anil Katara: But in sorbitol also you have been able to pass on or no?

Aditi Pasari: The sorbitol we have because of the customers base we have like Dabur, Asian Paint, Patanjali, Lever we have 3 months to 6 months contract with them. So, of course in the past 20 years has pick up very well, but last one year when the grain prices went has gone up unprecedently it has of course the pass on not been that smooth and we have to absorb some of the margin shrinkage.

Anil Katara: The last point is there any likelihood of any accretion coming in the last quarter from ethanol the new expansion, is it going to be the end of the quarter last quarter or it is mix quarter so some accretion happening in the last quarter or no?

Arushi Jain: In the last quarter we would be trying to commission the plants so I cannot assure you it is a very thin margin. We were expecting the plant to come in introduction by end of January. We would like to have the plant up and running, but I am not sure how much production would like to promise.

Anil Katara: So, it is going to be the next financial year?

Arushi Jain: Yes better to assume that way.

Anil Katara: Thank you, thank you so much

Moderator: Thank you. We take the next question from the line of Rishav from Anant Investment. Please go ahead. Please unmute and go ahead with your question

Rishav: I had couple of questions regarding the asset selling price of our three products are we witnessed any increase in the same due to cost headwind and second thing is are we able to pass the cost to the customer or what is your take on this?

Arushi Jain: Rishav let me repeat the question that I understand you are asking us a escalation cost and are we able to pass on the cost to the customer is that your question.

Rishav: Yes exactly.

Arushi Jain: We are a mixed basket of product and we have long term contract product where we have medium term contract product and a short term contracts product. So, wherever we have short term contract product we are definitely immediately able to pass on the cost there is no doubt in that and the other medium term when the time comes yes we are able to recover and the long-term contracts also when the time comes yes that does happen, but it does not happen instantly, but wherever there is short term contract we are able to pass on the cost element immediately.

Rishav: Ma'am one more question from my end so who is the EPC players executing the CAPEX plan?

Arushi Jain: Can you please repeat that Rishav.

Rishav: Who is the EPC player executing the CAPEX plan?

Arushi Jain: You know we have in our new capacities in our expansion. So, we have engaged multiple companies for their expertise. We have the turbine from Siemens, we have like the distillation plant is from Regreen Excel and loading system is from different contractors and so on and some of the equipments we import from China. So, we have in house team. Our project team and our team is very good and we are able to put together with our key engineering partner, Regreen Excel**.**

Rishav: Okay Ma'am. That's all from my end.

Arushi Jain: You're Welcome.

Moderator: Thank you. We take the next question from the line of Shruti Iyer from BNP Paribas. Please go ahead.

Shruti Iyer: My first question is that we are competing with the sugar companies, so I wanted to know do we have benefit over them because on the ethanol segment I wanted to know what benefits do we have?

Arushi Jain: At the face of it when you read the contract sugarcane pricing for an OMC when they buy a sugarcane-based ethanol it cost Rs. 65, molasses cost Rs. 60 and grain-based ethanol cost between Rs. 55 and Rs. 58, so do you see that inherent advantage to the grain-based distillery because we are selling cheaper ethanol to the OMC please understand that. So, as soon as grain ethanol is available in plenty it is a natural shift for OMC to prioritize the grain-based ethanol and as far as the production cost and on clarity of EBIT margins are concerned you see there are right at this moment grain based ethanol units may not look the best because we are under pressure of fuel and raw materials, but I do not believe that is a sustainable pressure, but we do have a definite distinctive advantage in terms of pricing itself. It is only economically viable to produce from food, stuff from grain to ethanol from grain, for the OMC to buy grain-based ethanol then to buy sugarcane juice based ethanol because this is incentivized I would say.

Arushi Jain: I think, I've answered your question?

Shruti Iyer: Thank You Ma'am.

Moderator: Thank you. We take the next question from the line of Mr. Aditya from Securities Investment Management Company. Please go ahead.

Aditya: Ma'am just wanted to know what has been the year-on-year increase in maize prices?

Arushi Jain: Maize prices that is all over the index. It has gone up very significantly.

Aditi Pasari: So, it is actually in percentage terms it has gone up by 40% YoY and in absolute terms we can say something like Rs. 18 to Rs. 25 per kg.

Aditya: You mentioned that you enter into a long term and short term contracts, so just wanted to know what is the preparation of these contracts in our revenue, what percentage will be long term and what percentage will be short term?

Aditi Pasari: For our end products?

Aditya: Yes.

Aditi Pasari: See it all depends on the multi product company so it is very difficult for me to actually bifurcate each of the product and with the nature of contract that will and on the call it will not be possible for me to give out those delicate and miniscule numbers.

Aditya: And what percentage of exports on a revenue?

Aditi Pasari: About 10%.

Aditya: And ma'am, just wanted to know about export what is the opportunity over there are we looking to increase the share over there?

Aditi Pasari: Yes we are looking at increasing exports. So, currently we are exporting sorbitol to 35 countries and with the increased capacities on sorbitol we are looking at increasing exports as well.

Aditya: What is the price differential in maize for India and international maize prices currently?

Arushi Jain: Can you please repeat it.

Aditya: What is the current price differential between Indian maize prices and international maize prices?

Arushi Jain: I have to look that up.

Aditya: So, I just wanted to understand if the Indian maize prices are lower or their export opportunity is higher or something like that?

Arushi Jain: Yes we are lower if I can answer that question then we are lower.

Rajiv Gupta: Actually, I just want to tell you that because of Ukraine was one of the major exporters in maize because of this war and all the prices have been shoot up like anything. So, domestically procurement of maize is cheaper than globally.

Aditi Pasari: Domestic of course the prices are cheaper as compared to international that is the reason why the government is exporting a huge amount of grain to the other countries you know Ukraine was the grain bowl of the world and the Ukraine closing down just had a good impact in international grain prices. Last week EBITDA had a PAT in the news that Russia had a fight

PAT with Ukraine where it would allow exports of grain through the black field and this one news actually soften the grain price globally as well as India and just after three or four days it withdrew statement and that again led to the increasing price. So, you can imagine what is huge impact Ukraine war has had on the grain prices globally and as currently because we are a grain processing country. So, definitely we have advantage of grain prices over the world and that is the reason why we are also exporting. Thank You.

Aditya: If not for the Ukraine war historically how is the prices shared between India and internationally pre COVID and pre-Ukraine war?

Aditi Pasari: India was always price lower than international maize price.

Aditya: I just wanted to know more about your procurement strategy for maize, so do we procure maize just once a year or we continuously procure after every two to three months how is the procurement done?

Aditi Pasari: We continuously procure grains in fact we do like the SIP. So, we have to make sure that we are procuring a certain amount of grain every month, every week, every day as average out of pricing. It is just one or two months in a year then we are expecting a new crop to come in. We will stop down and wait for the new crops to come in, but 10 months of the year we are buying in like a SIP.

Aditya: Thank You.

Moderator: Thank you. Ladies and gentlemen in order to ensure that the management is able to answer all the questions from the participants, please limit your question to one per participant. We take the next question from the line of Mr. Varun M from Star New Capital**.** Please go ahead.

Varun M: Thank you for the opportunity. In the previous presentations we have given a guidance of around 2,300 crores to our financial year 24 so can you give us a likely or approximately percentage wise contribution from our different business segments?

Aditi Pasari: So, currently you see from ethanol segment our revenue contribution is about 20%, but going forward with the new capacity in the grain processing ethanol coming up our contribution from the ethanol segment will be 50%, 50% will be from grains, 50% from ethanol and very miniscule about 3% or 4% will be left for mineral.

Varun M: So, the 20% expansion which we are doing with the grain processing segment will it be a Brownfield or a Greenfield expansion and I also wanted to know your growth projections for the grain based division specifically like what is the outlook in a total three year time frame?

Aditi Pasari: To Brownfield we are expanding our current capacities only so it is totally Brownfield expansion and we could be looking at upside of about 25% on the revenue side by FY24.

Varun M: Thank You.

Moderator: Thank you sir. We take the next question from the line of Mr. Nagesh K Individual Investor. Please go ahead.

Nagesh K: You are into exports so definitely you will be having foreign exchange earnings I would like to know whether you are covering any forward contracts or just keeping in plain and taking the advantage of the depreciation of the rupee?

Rajiv Gupta: I would like to answer this because actually our exports we have equally imports also we are also doing imports. So, there is a natural hedge, but we do not do any hedging of our exports because its import and export both complement each other. And secondly there are different customers so there is no requirement of any funding from the banks or all. So, it is a regular kind of trade which we do for exports as well as imports. So, natural hedge happens in our case.

Nagesh K: And my next question is whether PLI scheme is applicable to you or you are selected for that or it is not at all considered?

Aditi Pasari: We will be qualifying for PLI schemes in the form of Production Linked Fiscal Assistance from various state government for our Greenfield plants of ethanol in Madhya Pradesh as well as Assam. So, once production start we will be qualifying for those schemes.

Nagesh K: You have made an application and you have been qualified?

Aditi Pasari: We are gaining application we are still waiting to get the registrations confirmed.

Rajiv Gupta: See I just wanted to add over here we already have ISS approval from DFPD for our bank funding, some loan funding for both the projects in place because of that our funding is half of the cost of which will be charged by the bank. We are already in place so ISS incentive.

Nagesh K: PLI scheme will benefit by getting additional incentive from Prime Minister?

Rajiv Gupta: Yes we will be going for that. Once we have few months down the line we will definitely go for finding the application for the respective department and we will go for the benefits.

Nagesh K: Because there will be a substantial increase in your turnovers and other things because of the expansion that will be a big beneficiary for the company?

Rajiv Gupta: Definitely.

Aditi Pasari: Absolutely in fact that ways both the states where we have chosen we are very well cushioned by state and central which we are not considering in our margins at all. So, yes when that comes through definitely that is going to cushion us and comfort us.

Nagesh K: But as far as the share price is considering there is a decline in the share market price which is coming near to your 52-week low or something like that because of quarter-on-quarter, the performance and other things hopefully there should be a big U turn?

Arushi Jain: Yes this should be positive.

Moderator: Thank you very much. Ladies and gentlemen we take the last question from the line of Aditya from Securities Investment Management Company. Please go ahead.

Aditya: We have allowance capacity expansion of our grain processing by 20% and some of our peers have also announced capacity expansion in this area because of sorbitol and other starch derivatives, so just wanted to understand if there is enough demand for these products in India to observe these capacity?

Aditi Pasari: Yes, actually it is a growing market, starch market is a growing market in the country and I stated earlier also for month products like maize starch which is directly linked to the Kraft paper industry which is linked to the ecommerce. So, all these things align to each other. There is definitely a scope for new capacities to come up and you see a lot of people are also exporting starch to other countries. So, when the domestic market builds up we will not require to export also. Right now, a lot of export is also happening. So, definitely there is scope for the market to expand.

Aditya: Are imports coming in from other countries satisfy domestic demand?

Aditi Pasari: For which product?

Aditya: For starch and starch derivative?

Aditi Pasari: The products that we are manufacturing no they are completely being manufactured in the country.

Aditya: Thank you.

Moderator: Thank you very much. Ladies and gentlemen that was the last question for the day. I would now like to hand the conference over to Mr. Nitin Awasthi for closing comments. Thank you and over to you, Sir.

Nitin Awasthi: I would like to thank all the participants for their participation and the time they have given today for the call and once more I would like to thank the company for giving us the opportunity to host their call. With that, I would like to conclude the call.

Management: Thank You Everyone.

Moderator: Thank you. On behalf of InCred Equities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.